

National Instrument 43-101: Approach to Multiple Economic Scenarios in One Technical Report

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A technical report that includes an economic study of a property should present clear, consistent, and defensible predictions and assumptions about future mineral production, regardless of the property's stage – a preliminary economic assessment (PEA) (having the lowest confidence level), a pre-feasibility study (PFS) (having a higher confidence level than a PEA) or a feasibility study (FS) (having a higher confidence level than a PFS).

A technical report summarizes the *preferred* or *selected* option for development and/or production, rather than showcasing options or alternative scenarios. The rationale in the pre-development phase is that an issuer should be able to use the study contained in the technical report to demonstrate how it is going to proceed to develop and build the project and to illustrate the funds required to achieve this objective. Consequently, technical reports generally should not present multiple competing economic scenarios or trade-off studies. While an issuer may prepare and consider alternative scenarios internally, the public filing of any such study should be limited to the preferred study and contemplated path forward (the Main Study).

But What About Satellite Deposits or Phased Approaches?

There are situations where an issuer may have a satellite deposit or wish to expand the project in the Main Study in phases, such as adding an underground mine below an open pit or adding additional processing capabilities, etc. Oftentimes these additional or expansion studies (each, an Add-On Study) have not been completed at the same level of certainty as the Main Study and, accordingly, the disclosure of an Add-On Study may become problematic. One of the issues with combining a PEA level Add-On Study with a FS or a PFS level Main Study is that sections 2.3(1)(b) and 2.3(3) of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (NI 43-101) prohibit inferred mineral resources from being included in PFS or FS level technical reports. There can be no public disclosure of the economic analysis, cash flow models and production rates that combine or integrate the outcomes based on mineral reserves with the outcomes that are based (wholly or in part) on inferred mineral resources.

Inferred mineral resources are only permitted in PEAs that are independent of a PFS, a FS or a life of mine plan. If disclosure in a PEA appears to be combining, updating, modifying or adding to a PFS, a FS or a life of mine plan, then there is a concern that the issuer may be breaching the requirements of NI 43-101. In these situations, regulators have concerns that an Add-On Study is at too early of a stage and should be

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further refined before it can be included with the Main Study. In the alternative, the issuer may be able to re-scope an advanced stage project (i.e., the Main Study) based on new information or alternative production scenarios such that both the Main Study and the Add-On Study would be reflected at the PEA level. For additional information on such studies, [please refer to our previous installment for a detailed discussion](#).

However, issuers have successfully threaded the needle in order to include an Add-On Study at a PEA level in Item 24 of their technical report (i.e., *Other Relevant Data and Information*) in certain instances that are fact-dependent, involving the nature of development or the materiality related to the Main Study. To comply with sections 2.3(1)(b) and 2.3(3) of NI 43-101, the disclosure of such Add-On Study had a separate analysis and was not combined or integrated with the economics, mine life and cash flows from mineral reserves of the Main Study. Essentially, the Add-On Study was treated as its own project, with no production phasing, OPEX, CAPEX or input from the Main Study. In the case of a producing property, where OPEX and CAPEX are already known, navigating the approach is complex and close analysis is required to ensure the approach aligns with the requirements of NI 43-101. The key is to ensure that the Add-On Study remains a conceptual level study. An issuer is likely to have a higher level of confidence in costs and processing details from the Main Study, and as such, the issuer runs the risk that its Add-On Study is really a proxy for a full PFS/FS. It is more often the case that issuers might not be prepared to integrate the Add-On Study with the Main Study and should just hold off until that Add-On Study is at an acceptable level such that it can be combined.

These are special circumstances that do not often arise. Overall, this is a very technical area of NI 43-101 and issuers should seek assistance from their counsel and qualified persons with respect to the ability to achieve the required disclosure and comply with NI 43-101 on a case-by-case basis.

[For more on NI 43-101, find our previous articles in this series here.](#)

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